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SECURITY INFORMATION

7 February 1952

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TOP SECRET SUPPLEMENT

TO THE DAILY DIGEST
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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence. Comments represent the immediate views of the Office of Current Intelligence.

State Dept., USAF reviews completed

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SECTION 3 (WESTERN)

DENMARK. Government stalls on extension of conscription: Denmark's Minister of Defense has informed the US Embassy that the extension of military service to 18 months depends upon the delivery of prefabricated housing to Denmark under the US military aid program. The Embassy points out that agreement must be reached this month, since the May 1952 conscripts must be notified by 1 March if the training period is to be increased. Although American officials do not want to give the Defense Minister any excuse for postponing an extension of service, they are urging that TCC firmly insist that the Danes themselves supply the housing. (TS Copenhagen TOMUS 42, 5 Feb 52)

Comment: Last November Denmark tentatively agreed to extend military service to 18 months (see OCI Daily Digest, 26 Nov 51) commencing with the conscript class to be called up in May. This would not be the first case of Danish procrastination.

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DAILY DIGEST

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SECTION 1 (SOVIET)

1. USSR. Soviet Union again offering goods to Southeast Asia: At the current Rangoon meeting of the UN Economic Commission for Asia and the Far East, the Soviet delegate strongly attacked the Western rearmament program as the cause for the slow economic development of the ECAFE area. In contrast, the Soviet delegation emphasized the ability of the Soviet bloc to supply capital goods.

The US delegation comments that Soviet tactics at the conference are antagonizing the participants and are receiving only moderate press coverage in Rangoon and no favorable editorials. (C Rangoon 762, 4 Feb 52)

Comment: Soviet trade proposals during the October ECAFE conference in Singapore were received skeptically by Southeast Asian countries. Even though the USSR reportedly made a specific trade offer to Indonesia at that time, there is no indication that Indonesia has considered the proposal with any real interest.

The Soviet delegation has charged that the poverty of Southeast Asia is caused in large part by domination and exploitation of the area by the capitalist powers, but members from India, Indonesia, Philippines, Pakistan and Thailand pointed out that their countries welcomed foreign capital and considered it an important factor in the development of their economies.

2. ALBANIA. Government preparing to decree second state loan: The Albanian press announced on January 25 that the workers of the Stalin textile combine had requested the Presidium of the People's Assembly to decree the floating of a second state loan. Several Albanian work centers have expressed approval of the request. (R FBIS Tirana, 28 Jan 52)

Comment: The first state loan was decreed in July 1949 to run for 20 years from January 1950 to January 1970 and to be repaid by the state by means of lotteries and repurchases beginning in 1955. Subscriptions to the second state loan, as to the first, will be obligatory.

3. BULGARIA. Note of protest delivered to Britain: On 4 February the Bulgarian Minister of Foreign Affairs presented a note of "energetic" protest to the British Legation in Sofia concerning British Government sanction of and participation in a conference recently held in London by the Eastern section of the "European Movement." The conference, at which Bulgaria charged "all sorts of fascist elements and fomentors of a new war openly discussed the question of subversive activities aimed against

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the People's Democracies", was opened by the British Minister of Housing, and a congratulatory telegram was sent by Foreign Minister Eden.

The Bulgarian note stated that "this hostile British attitude is in flagrant contradiction to normal diplomatic relations and the principles of the UN Charter, and proves that the British Government openly inspires and supports hostile designs and actions aimed against the People's Republic of Bulgaria." (R FBIS Sofia, 4 Feb 52)

Comment: This protest is very similar to a Hungarian note delivered to the British Legation in Budapest on 31 January. Informal protests have also appeared in the press and radio of other Satellites and in Yugoslavia.

4. CZECHOSLOVAKIA. Czech Consul in Jerusalem disappears: Frantisek Necas, Czech Consul in Jerusalem, disappeared on 4 February, according to Agence France Presse. It is believed that he decided not to return to Czechoslovakia after he had been recalled to Prague, and that he will seek asylum from the Israeli Government. (R FBIS Ticker Paris AFP, 2 Feb 52)

Comment: Necas, who is not a Communist, very likely has defected, though not from any ideological motivation. Since the formation of the Israeli Government and the establishment of the Czech Legation in Tel Aviv, he has had little to do. He is an alcoholic known in Jerusalem for his riotous life.

5. HUNGARY. Detailed data on couriers required: US couriers intending to enter Hungary must now submit detailed biographic data including schools attended, military service, former positions and specialized training, when requesting visas. (R Vienna 2553, 4 Feb 52)

Comment: Hungary has been known to send intelligence agents to the United States and other Western countries disguised as couriers. The above measure may be motivated by a suspicion that the United States follows the same procedure.

- 25X1C 6. YUGOSLAVIA. Demotion of Politburo member Leskovsek attributed to policy differences: [REDACTED]

25X1C [REDACTED] the removal of Politburo member Franc Leskovsek from his governmental post last October was the result of a basic divergence of opinion within higher party circles. One school of thought, represented by Finance Minister Popovic and Tempo Vukmanovic, Minister-President of the Council for Industry, reportedly favored closer cooperation with the West and a deflationary economic policy. The second group, led by Leskovsek, preferred

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a neutral stand and an inflationary economic policy.

25X1A The report that Leskovsek has resigned from the Politburo remains unconfirmed, according to the sources. [REDACTED]
[REDACTED]

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Comment: This is the first reasonably reliable follow-up on the previously reported purge of the economic expert Leskovsek. At the time of his removal from his governmental post, American Embassy officials expressed the opinion that Leskovsek's refusal to accept party decisions regarding economic policy probably caused his demotion from the federal government, but that he might be retained in the Politburo in order to present the appearance of absolute party unity.

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SECTION 2 (EASTERN)

1. EGYPT. American officials report on Sudan question: Two American diplomatic observers, who recently returned to Cairo from Khartoum, state that unification of the Sudan under the "symbolic crown" of Egypt would be unpopular in certain areas of the Sudan and would probably cause disturbances in the main Sudanese towns. The intensity of any reaction would depend largely on the attitude taken by the British-controlled government in Khartoum. They point out that the police and defense forces in the Sudan are well organized and seem capable, if given the proper orders, of controlling such outbreaks.

The two observers believe that a symbolic union under the Egyptian crown would be more palatable to the Sudanese if a definite date were set for an internationally supervised plebiscite.

The American Ambassador in Cairo states that, on the basis of the observers' report and the moderate attitude of the Egyptian Prime Minister, it is "important to push ahead" to a solution of the Sudan question. (S Cairo 1266, 5 Feb 52)

2. INDIA. Query regarding unusually large number of radio tubes for Indian Army: [redacted] has asked a large American manufacturer of electronic devices to quote prices on 2,000,000 battery-type radio tubes for use in Indian Army walkie-talkie sets. The manufacturer of the tubes states that this number would supply 400,000 sets. [redacted]

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Comment: The total strength of the Indian Army is slightly over 400,000 men.

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3. INDONESIA. Cabinet crisis possible within next several weeks: Ambassador Cochran's [redacted] has informed him that a government crisis may develop within the next few weeks. [redacted] that the breach between the Masjumi and National parties has recently enlarged and that the two main factions within the Masjumi remain unreconciled. (C Djakarta 1119, 5 Feb 52)

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Comment: [redacted] the greatest threat to the government's continued existence lies within the cabinet itself. The National Party intermittently threatens to withdraw its ministers and join the opposition, which would precipitate the cabinet's fall.

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The present cabinet has been considered weak, unstable, and likely to be short-lived since it undertook government responsibility in April 1951. It has survived to date for two reasons: although the National Party frequently appears eager to withdraw, it is apparently sufficiently responsible to realize that a subsequent cabinet would be either leftist-oriented or more unstable than the present one; and the cabinet has the day-to-day support of President Sukarno, still the most important factor in Indonesian politics. There are currently no indications that either of these factors has changed sufficiently to result in the fall of the cabinet.

4. BURMA/THAILAND. Thai to tighten controls over Burma border: The American Ambassador emphasized the seriousness of the problem of Chinese Nationalists in Burma to the Thai Premier by pointing out the Soviet offer to assist Burma in ejecting these troops. The Premier agreed to issue strict orders prohibiting clandestine transportation of supplies over the border into Burma, as well as an official statement dissociating Thailand from the Nationalist forces. (S Bangkok 1663, 5 Feb 52)

Comment: While the Soviet Union has seized upon the presence of Nationalist troops in Burma to attack the US in the UN, it is not known to have offered to assist Burma in settling the issue in any way. Nevertheless, there are indications of growing apprehension in Thailand, in both local and foreign circles, regarding the ultimate outcome of this problem.

5. INDOCHINA. French review recent Viet Minh operations: French intelligence officers in Saigon, in a review of Viet Minh operations since 1 December, report that the enemy is maintaining good morale despite heavy casualties and a high disease rate. They emphasize the improvement in Viet Minh staff work and estimate that a new system of rotation of front line units will enable the insurgents to maintain their current pressure on the French defense perimeter in Tonkin until the end of February. At that time, they believe, the enemy's front line ammunition will be exhausted.

Meanwhile, there is continuing heavy infiltration of the northern and southern zones of the delta by enemy units not engaged in the frontal operations. (S USARMA Saigon 56, 4 Feb 52)

6. CHINA. Chinese held as spy in Calcutta: The Calcutta press reports the arrest in December 1951 of a Chinese suspected of espionage on behalf of a "foreign power". The alleged spy is said to have entered India in October from Tibet. (U New Delhi Desp 1416, 22 Dec 51)

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Comment: This is the first such report from India. It is of some interest in view of India's persistently conciliatory policy toward Peiping.

7. Russians inspect Chinese airborne troops: A Soviet team went from Khabarovsk to Kaifeng and Hankow to inspect Chinese airborne troops in early December, according to the Nationalist Ministry of National Defense. This team was reportedly headed by Lt. Gen. Shapellov, Chief of Staff of the Soviet Far East Air Force. The US Far East Air Force comments that one or two transports reportedly were used throughout December for paratroop training at Kaifeng and Hankow; and that there is no apparent increase in emphasis on such training. (S FEAF Tokyo, AX 1911, 31 Jan 52)

Comment: Fewer reports of Chinese paratroop training have been received in the past six months than in 1950 and early 1951. Although an estimated 25,000 men have received jump training in China, there is an almost total lack of information about the organization of paratroop units. According to unconfirmed report, the Third Paratroop Division was recently transferred to western Chekiang and Fukien Provinces.

8. Prospective railroad routes described in Peiping newspaper: A Peiping newspaper article on 28 September 1951 stated that China will build two long railroad lines: one will begin at Paichengtzu in Manchuria, run through Inner Mongolia and end at Lanchow; another will begin at Yumen in Kansu Province, run through Lanchow and lead south to Kueiyang. These, plus the three lines under construction in Kwangsi, Szechwan and Kansu, total 5,173 kilometers. The article commented that these roads are being built to connect Manchuria, Northwest and Southwest China. [REDACTED]

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Comment: This is the first reference to Communist plans to build a new railroad from Manchuria through Inner Mongolia to Lanchow. It has been reported that only one section of this route, from Paotou in Suiyuan Province to Lanchow, has been actually surveyed.

9. KOREA. Communist leaders reportedly told of US aggressive intent: A [REDACTED] that Communist commanders in Korea in early January received intelligence emanating from the Truman-Churchill talks on UN intentions in Korea. The commanders were told that if truce talks break down, the UN will launch an offensive to reach the 40th parallel, coupled with amphibious landings at Chinnampo on the west coast and Wonsan in the east.

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Allegedly, the principal purpose of this expansion of activities is to divert Chinese Communist pressure from Southeast Asia. To effect

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this offensive the "strength of one marine division has been increased," and the 45th, part of the 40th, and the 11th Airborne Divisions are to be sent to Korea. [REDACTED]

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Comment: [REDACTED] However, Communist intelligence of US activities frequently shows up in their propaganda. For instance, a 2 February North Korean broadcast which accused the US of intending to expand the Korean war, cited the arrival of the 40th and 45th Divisions in Korea, the landing of airborne troops at Taegu, and the arrival of a US Marine Division at Pusan as proof of aggressive intent.

10. Joint Communist supply system reportedly directed by Korean:

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The "Joint North Korean-Chinese Communist Supply Headquarters" is located in Pyongyang, [REDACTED]

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[REDACTED] Allegedly, the "director" of this organization is Chang Si-u, a former Minister of Industry and Commerce of the North Korean government and a long-time Communist. The vice director is Han Pyong-ok, last reported as the "director of General Affairs."

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Comment: Some credence is given this report because a recent radio broadcast mentioned Chang Si Wu(U) as the "Minister for Supplies in the Rear." This ministry is probably charged with logistical support of the North Korean armed forces. There is no confirmation, however, of Chang's paramount position in the joint Communist supply organization.

11. Japanese to re-examine vessels issue in Korea-Japan talks: As a result of Rhee's proclamation of Korean sovereignty over adjacent seas, the Japanese delegates to the Korea-Japan talks concerning the mutual return of vessels have changed their attitude. The committee had reportedly reached an unofficial agreement, but the Japanese now hold that Rhee's proclamation may affect an item on the conference agenda and thus re-examination of the whole issue is necessary. (C Pusan 763, 5 Feb 52)

Comment: Japanese reluctance to continue negotiations in good faith in the face of Rhee's unilateral pronouncement is understandable.

12. JAPAN. Soviet trade offensive in Japan seen failing: The Soviet trade offensive in Japan is failing, according to Pan-Asia News Agency, as shrewd Japanese businessmen now realize that the Russians do not intend to enter into business contracts but are merely dangling trade offers for propaganda purposes. Hoping to alienate Japanese businessmen from US connections, the Soviet procedure is to approach various Japanese

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firms with orders; however, after expensive tests and modifications have been made and much haggling has ensued, the Russians decide not to buy. In addition, Soviet mission representatives call on the Japanese Foreign Office "daily" to promote friendship and expound on the opportunities of trade with Russia and Communist China. (R FBIS, 5 Feb 52)

Comment: While Pan-Asia's reporting is not notably reliable, no report has been received of the conclusion of a single Soviet-Japanese trade contract. Other reports from Japan indicate that the standard Soviet practice is to drop negotiations before a contract can be concluded.

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SECTION 3 (WESTERN)

1. FRANCE. Industrialists resent criticisms of record on war orders: An official of the French manufacturers' association told the Mutual Security Mission in Paris that industrialists are perturbed by what appears to them a "concerted campaign" in the US press accusing the French of reluctance to accept rearmament orders. He stated that French industrialists are "extremely anxious" to receive such orders and cannot be blamed either for delays in filling US military orders or for the financial limitations on French military production. The Mission believes that the industrialists' resentment of these recent US press complaints is justified. (R Paris TOMUS A-57, 24 Jan 52)

Comment: Much of this US criticism is due to impatience with the pattern of French industry. The subdivision of industries such as metal working and electronics into hundreds of firms prevents efficient handling of a large volume of war orders. While top-level French industrialists have been trying to overcome the difficulties inherent in this system, they still face hurdles in raw material shortages, delayed deliveries, the effects of franc depreciation on prices, and the uneven support of higher productivity goals.

2. Parliamentary limitations on government in European army treaty negotiations not anticipated: A prominent Foreign Office official has expressed confidence that when the EDC comes up for discussion in Parliament on 11 February the government can avert the posing of conditions involving the Saar or Germany's admission to NATO. (S Paris 4697, 3 Feb 52)

Comment: The French conceived the EDC as the principal means of preventing German military preponderance in western Europe, and there is little indication of dissatisfaction with the government's handling of recent relations with Germany. In recent weeks, however, there has been evidence of serious parliamentary opposition to the EDC treaty in the form in which it has evolved.

3. French ready to proceed with agricultural pool: France is ready to invite eighteen countries to a meeting on agricultural integration about mid-March. The French have an open mind regarding the number of commodities to be included in the prospective pool, but prefer to limit them at the outset. Although the Federation of Farm Unions officially approved the pool with certain reservations, French farm opinion is divided. Some farm groups realize that outside competition will be a serious shock to certain "archaic sectors" of French agriculture. Government officials state the

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plan must take effect slowly, but believe that competition will eventually reduce production costs and raise the efficiency level of European agriculture. (C Paris 4662, 1 Feb 52; S Paris, Joint Weeka 5, 1 Feb 52)

Comment: The Pflimlin Plan, which seeks to create a single market for basic European foodstuffs, was tabled in the National Assembly a year ago pending ratification of the Schuman Plan. The Dutch, foreseeing that the "green pool" will encounter even greater difficulties than the Schuman Plan, propose the immediate creation of a European Committee for Agriculture and Foodstuffs, responsible wholly to the parliaments. The Dutch suggest that integration should not be limited to certain products, but should involve agriculture as a whole.

4. AUSTRIA. Coalition papers show sharp declines in circulation: Confidential statistics of Austria's leading news agency disclose that the circulation of coalition and US-sponsored papers has fallen off seriously during the past three years. Last October press runs for People's Party and Socialist newspapers were 33 percent and 30 percent smaller than in October 1948, and the circulation of the US-controlled Wiener Kurier is down 37 percent. In contrast, the press run of Communist newspapers has declined only 7 percent, and the circulation of two independent newspapers for which comparative statistics are available has increased 7 percent. (S USFA Intelligence Summary 340, 9 Jan 52)

Comment: Since Communist and Soviet-sponsored newspapers have a "guaranteed" clientele, no particular significance can be attached to their relatively favorable position. The difficulties of the coalition press, however, and the contrastingly advantageous status of selected independent newspapers may be indicative of the general lack of enthusiasm with which the Austrian public views its government after six years of uninterrupted power.

5. Seasonal unemployment reaches critical level: The number of Austrian job-seekers increased nearly 30 percent during January and now totals about one tenth of the total labor force. Although the unemployment figure remains about 10 percent below last year's record, the situation is believed serious in some provinces and relief financing is regarded as inadequate. (R Vienna 2554, 4 Feb 52)

Comment: The current aggravated seasonal unemployment in Austria is attributed in part to excessive employment in the construction industries following emergency measures taken by the Austrian Government last year. More recent efforts to provide jobs have been complicated by the prevailing inflationary pressures, and a supplementary release of 400 million schillings in counterpart funds for this purpose was trimmed one fourth to minimize

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the anticipated inflationary impact. While the seasonal problem will probably be alleviated somewhat as summer approaches, the announced intentions of the Austrian Government to rechannel investments at a lower level toward the more immediately productive sectors of the economy may at a later date aggravate the frictional unemployment problem.

6. NETHERLANDS. Dutch satisfied with SHAPE's assurances on EDC: The Dutch parliamentary delegation which visited SHAPE has stated its complete satisfaction with SHAPE's assurances on the military feasibility of the EDC and SHAPE's conception of EDC-NATO relationships, which are the same as the Dutch envisage. As a result of the visit, the delegation, which included two of the most influential members of Parliament, felt that close personal bases for future Dutch cooperation with SHAPE had been established. (C The Hague 783, 31 Jan 52)

Comment: This favorable reaction to the EDC represents a great change in Dutch opinion since last fall and augurs well for the parliamentary debate which may take place prior to the Lisbon NATO meeting.

7. Dutch reluctant to forego oil-well equipment shipment to Poland: Although a Dutch official has stated that the Economic Minister would be asked to delay shipment of oil-well exploration equipment to Poland, he said the stoppage of shipments would have serious political and economic consequences in Dutch-Polish relations. The Netherlands-Polish trade agreement provides for Dutch export licenses for coal-mining and oil-well equipment, and the license for the latter was approved before the COCOM restrictions were drawn up. The official adds that revocation of the license would be embarrassing to his government and lead Poland to deny the Netherlands coal shipments. (S The Hague 793, 1 Feb 52)

Comment: A Dutch Foreign Office official, informally replying to a US request that the Netherlands seek a Western market for its oil equipment, has stated that the problem was not to obtain an alternative buyer, but to prevent Polish penalties should the contract not be fulfilled. The spokesman was pessimistic over the chances of getting the Economic Minister to approve a delay.

8. ITALY. Government acts to delay cabinet crisis: The Italian Government has averted a cabinet crisis threatened by parliamentary opposition to two of its bills. The first, dealing with reorganization of the Treasury, Finance and Budget Ministries, has been withdrawn, but at the same time Budget Minister Pella has regained the post of Treasury Minister ad interim. To secure support for the second bill, dealing with state employees' pay, the majority Christian Democrats invoked party discipline and obtained a

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vote of confidence, 285-233. Several "pro-labor" Christian Democrats, however, including the head of the Christian Democrat-dominated Confederation of Labor Unions, voted against the government. (S Rome Joint Weeka 5, 1 Feb 52; U Rome 3425, 3 Feb 52)

Comment: The government's action to delay a crisis leaves unsolved the problems upon which opposition to its bills was based. Restoration of Pella's previous functions virtually invests him with the powers called for in the reorganization motion. The extent of these powers had been objected to by not only the moderate left, but also the right and left wings of the Christian Democratic Party. This restoration of power supports the opinion that Pella is being groomed as a possible successor to aging Premier de Gasperi. The labor deputies' refusal to conform to party discipline was intended to refute Communist claims that the Confederation of Labor Unions is a government stooge.

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9. ARGENTINA. Serious shortage in wheat crop forecast: [redacted]
[redacted] the Argentine Government's estimate of the current wheat crop is now only 2.2 million metric tons, thus indicating a serious shortage in relation to domestic requirements. [redacted] the US Embassy is reporting a moderately higher figure in its unclassified dispatch. (C Buenos Aires 562, 5 Feb 52)

Comment: Since Argentina's domestic wheat requirements for 1952 are estimated at 3.2 million metric tons, the new estimate indicates a million-ton deficit. This would mean not only a serious cut in the country's foreign exchange earnings, but, if wheat is imported, a drain on its already meager foreign exchange reserves. Either importation or rationing of wheat would be politically unattractive, since either would be admission of poor government policy in the light of Argentina's prewar position as the world's third largest exporter of wheat. The government has denied the need to import wheat. In December, however, [redacted] reported that Argentina would soon sign a secret contract to purchase Rumanian wheat (see OCI Daily Digest, 18 Dec 51).

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Argentina's reduced production of agricultural products has already had important repercussions on other countries, such as Brazil, Britain, and France, which formerly purchased in Argentina but now must look to the US and Canada, thus further aggravating their dollar shortage.

10. BRAZIL. Riot occurs over high cost of living: A student demonstration against increased motion picture admissions swiftly grew into a city-wide riot in the capital of Minas Gerais State on 3 February. At least one person was killed and more than 60 were injured; there was also considerable property damage. Police were forced to fire on the mobs, and army troops

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later reinforced the police contingents. The Communists reportedly incited the populace to further rioting against recently increased prices. (R Rio de Janeiro 996, 5 Feb 52)

Comment: Although the Communists did not start the demonstration, they apparently were ready to add to the confusion and turn it into a riot. Recently the Communists have been more active in this section of Brazil, and have front groups actively campaigning against the high cost of living. Police elsewhere in Brazil reportedly are alerted to prevent such demonstrations or riots, and quite likely there will be "preventive arrests" of some Communists.

11. DOMINICAN REPUBLIC. Cuban Charge arrives: The new Cuban Charge d'affaires, Antonio Prisco Porto, has arrived in Ciudad Trujillo. The Dominicans are gratified at this evidence of Cuba's adherence to the "Christmas Day Agreement" and will probably name their Charge to Cuba in the near future. (C Ciudad Trujillo 435 and 440, 18 and 25 Jan 52)

Comment: The arrival of Prisco Porto signals the resumption of diplomatic relations between these two republics after a period of approximately two months during which the Inter-American Peace Committee was working toward a mutually acceptable settlement of their dispute over the motor vessel Quetzal. The "Christmas Day Agreement" refers to the successful termination on Christmas night of this affair which for a time gravely menaced the peaceful relations between the two countries and threatened to bring tension once again to the Caribbean area.

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